

City of Garland

2023 Capital Improvement Program

Overview – Council Work Session

January 17, 2023



2023 Proposed CIP

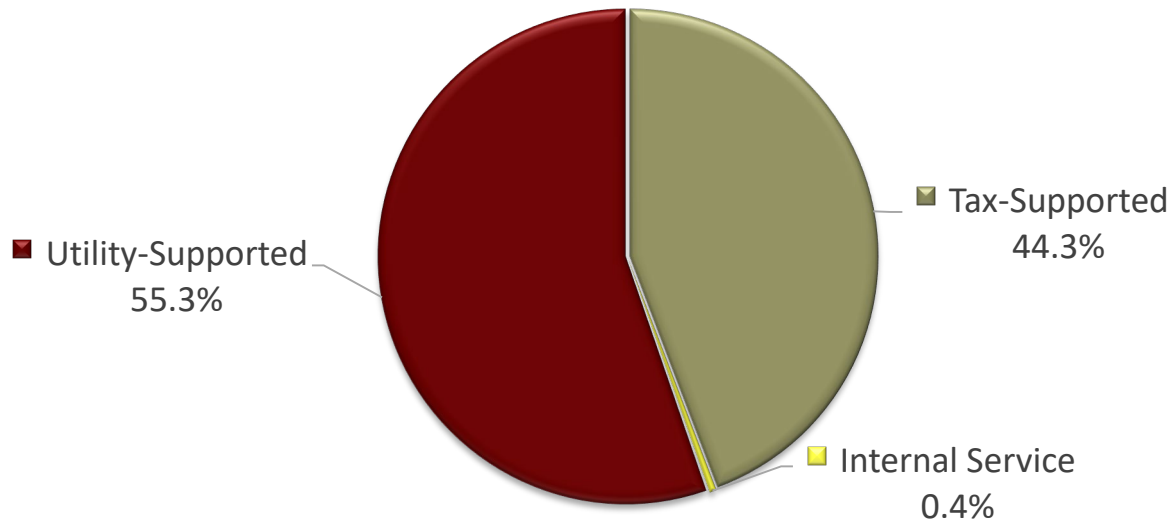
PRIMARY GOAL OF 2023 CIP

- (A) *Continue Implementation of the Bond Programs*
- (B) *Address the Impact to Projects from Cost Escalation and Supply Chain Delays*
- (C) *Utilize Conservative Financial Modeling to Ensure Debt Service Capacity is Reserved to Respond to Unforeseen Financial Challenges That Could Disrupt Project Delivery in Future Years*

2023 Proposed Capital Program

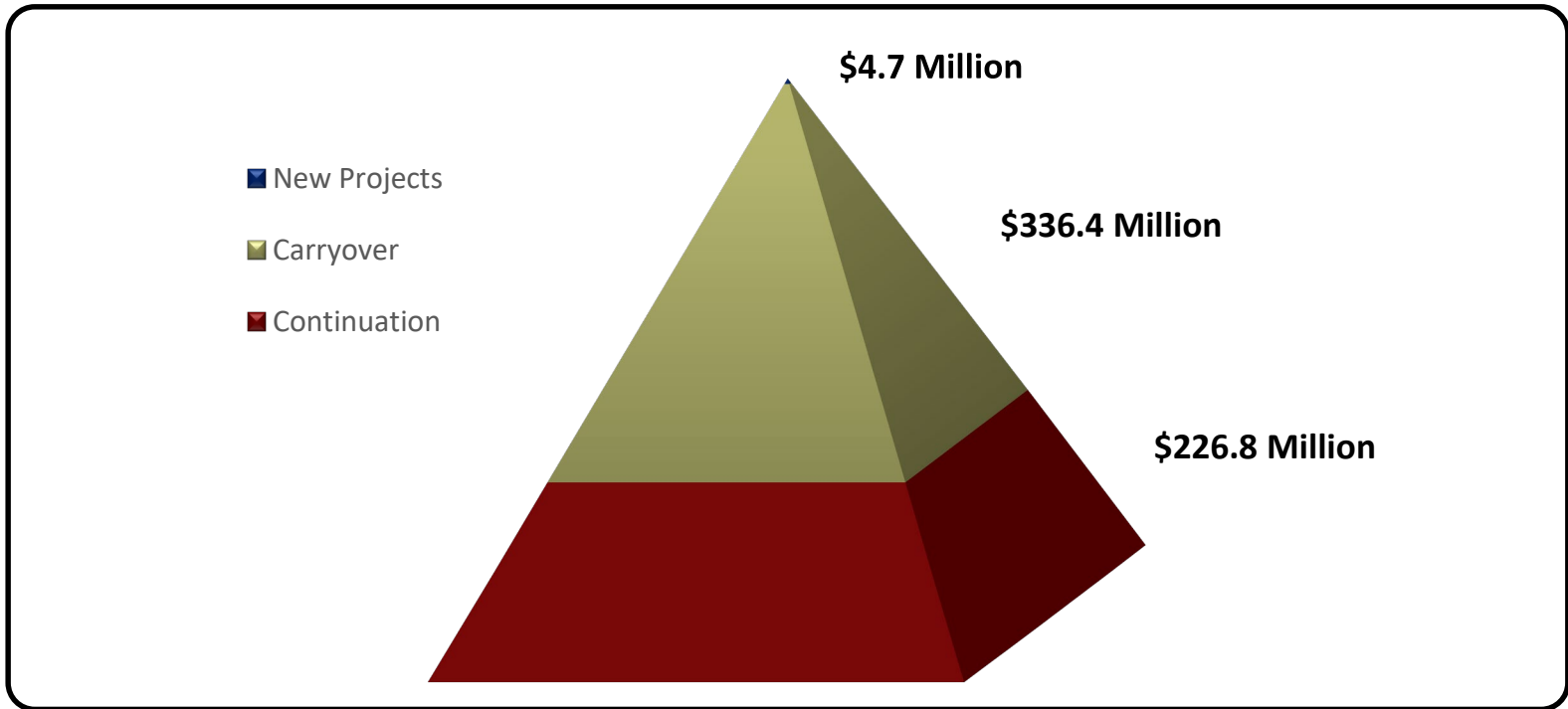
(In Millions)

Tax-Supported Projects	\$251.4	44.3%
Internal Service Projects	2.5	0.4%
Utility-Supported Projects	314.0	55.3%
Total 2023 CIP	\$567.9	100.0%



**Increase of \$47.1 Million (9.0%) from
Total 2022 Adopted CIP (\$520.8 Million)**

Composition of 2023 Proposed CIP



2023 Proposed CIP	Amount	Percent
New Projects	\$ 4.7 million	0.8%
Carryover (Existing Funds)	336.4 million	59.2%
Continuation	226.8 million	40.0%
Total	\$567.9 million	100.0%

Notes:

New Project Funding – New Projects

Carryover Funding – Funding Approved in Prior Years for Existing Projects

Continuation Funding – New Funding for Existing Projects

Capital Improvement Program

Criteria and Structure

- ❑ **Five-year financial plan for capital assets:** Including public works infrastructure, utility infrastructure, municipal facilities, and large or specialized equipment purchases.
- ❑ **To qualify for the CIP, an item must meet the policy criteria:** (1) It is a capital asset, (2) it has a useful life of at least five years, and (3) it exceeds \$25,000 (in practice, \$50,000 typically used).
- ❑ **The CIP includes the following:** (1) planned projects for five years, (2) expected costs, (3) method of financing, and (4) estimated utility and tax rate impacts.
- ❑ **The Capital Budget is the first year of the CIP:** Appropriates funding for the upcoming year.
- ❑ **CIP projects often span multiple years:** Approving a project in Year 1 may, in effect, create an obligation to issue additional debt in Year 2 to complete the project.
- ❑ **The CIP must be viewed from a multi-year perspective.**

Capital Improvement Program

Component Units

Tax-Supported	Utilities	Internal Services
2004 Bond Program	Electric	Information Technology
2019 Bond Program	Water, Wastewater	
Large Capital Items – GF	Sanitation	
	Stormwater Management	
<u>Financed with:</u>	<u>Financed with:</u>	<u>Financed with:</u>
Comm. Paper (CP)/GO Bonds	CP/Revenue Bonds	Certificates of Obligation
Certificates of Obligation	Certificates of Obligation	
<u>Debt Repaid by:</u>	<u>Debt Repaid by:</u>	<u>Debt Repaid by:</u>
Debt Service Tax Rate	Utility Rates	Charges to Other Funds

Capital Improvement Program

Factors Impacting The Tax-Supported Program

(1) **Tax Base** – As property values grow, each cent on the Debt Service Tax Rate generates more funding. If values decline, less funding is available.

(2) **Interest Rates** – Projected increases in interest rates will increase the cost to borrow and debt service payments, and limits opportunities to refinance existing debt.

(3) **Tax Rates** – Increases are needed when growth in the tax base and declines in existing Debt Service do not create enough capacity to fund new programs.

The 6.5-cent increase in the Debt Service Rate, adopted in FY 2019-20, provides the needed funding to implement the 2019 Bond Program.

(4) **Cost Escalations** – Rise in the price of goods, services, or commodities associated with project delivery, particularly as a result of the pandemic.

(5) **Supply Chain** – The network of facilities that produce materials, transform them into intermediate goods, and then transport final products to the customer through a distribution system.

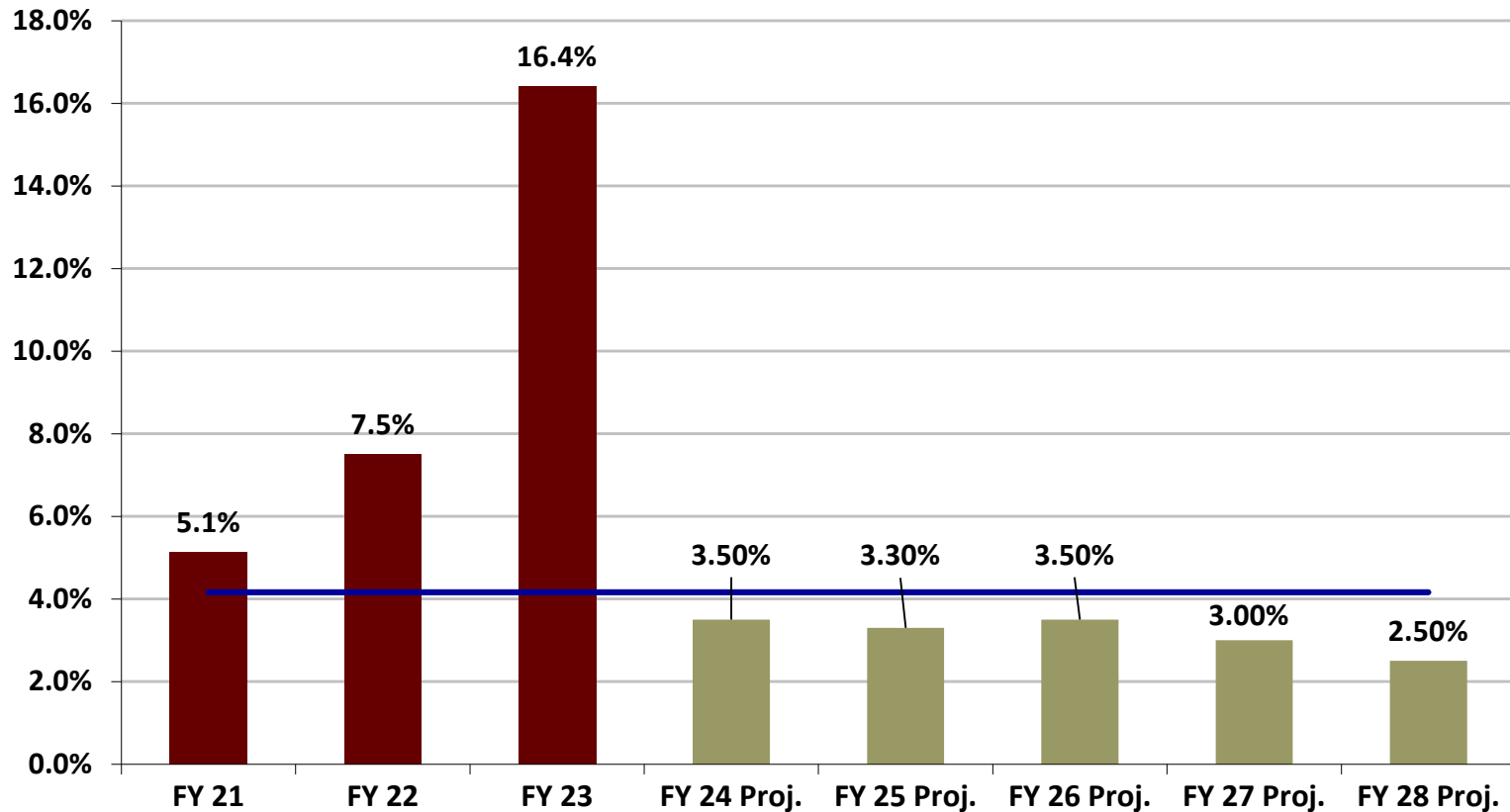
Capital Improvement Program

Key Assumptions and Factors for 2023 Tax-Supported Program

- ❑ **Tax Base Assumptions** – Five-year plan is based on an average increase of 3.2% a year.
- ❑ **Interest Rate Assumptions** – Rates gradually increasing by 25 basis points per year.
 - Examples: 20-year debt – 4.06% in 2023 to 5.56% in 2028
 - 10-year debt – 3.38% in 2023 to 4.88% in 2028
- ❑ **2004 Bond Program** – Scheduled to be 100% complete in 5 years.
- ❑ **2019 Bond Program** – Scheduled to be 97.7% complete in 5 years.
- ❑ **Adjustments to project costs and schedules as a reaction to inflation realized during procurement and supply chain disruption.**

Factors Impacting Capital Program

Property Tax Base Growth – Percent Change

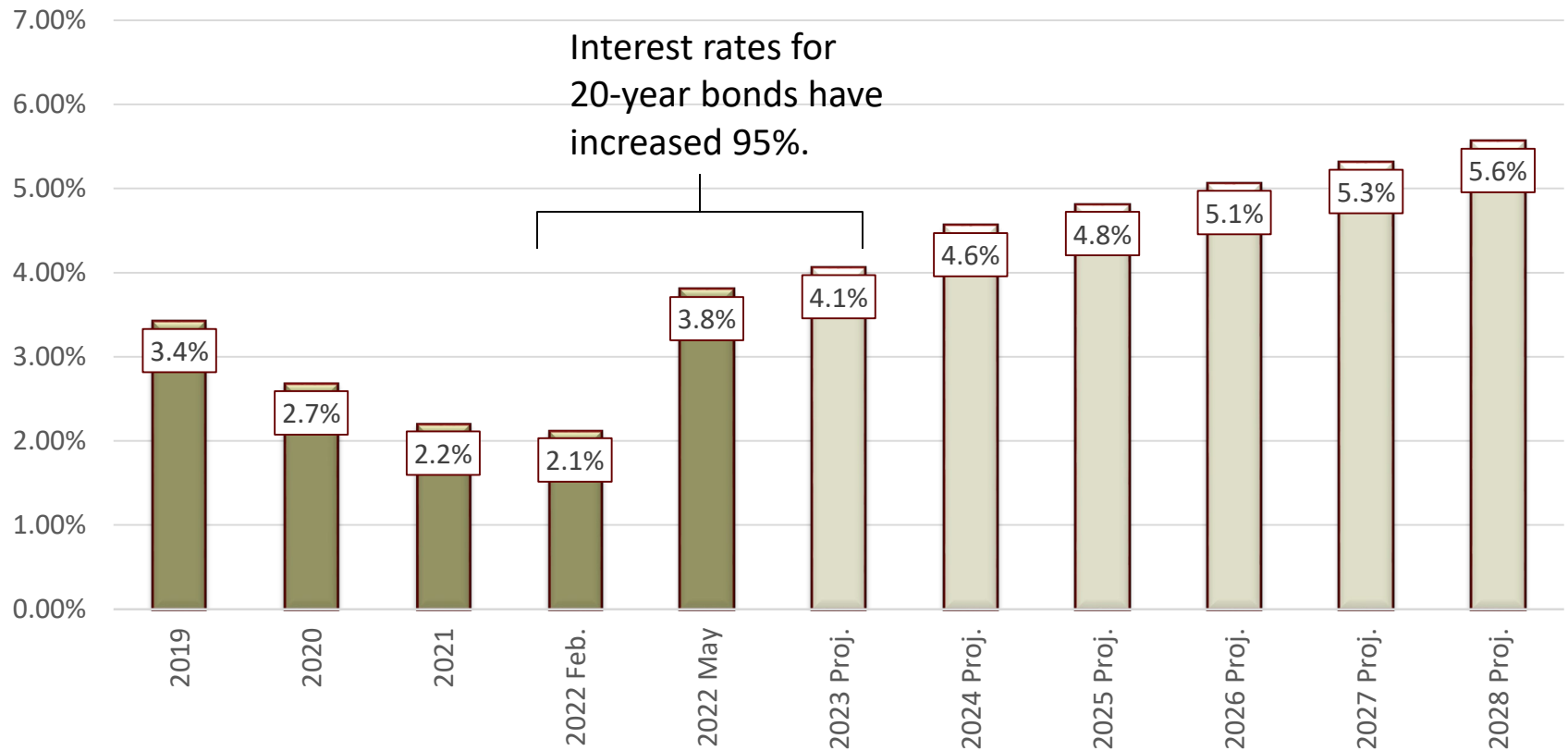


Notes:

- 1) Preliminary Estimates from DCAD
- 2) 20-Year Average Property Tax Base Growth is 4.2%

Factors Impacting Capital Program

Interest Rates Assumptions



* Data based on Bond Buyer Index which represents average rates for a municipal bond equivalent to an S&P AA+.

Factors Impacting Capital Program

Inflationary Assumptions – Per Year

Inflation Components	2022	2023	2024	2025	2026	2027
Land	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Design	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Construction	15.0%	10.0%	7.5%	5.5%	5.5%	5.5%

Notes:

- 1) Land adjusted significantly during 2022 CIP. Inflation assumption based on average increase in DFW since 2012. (Source: AEI-Adjusted Land price per acre in Dallas County)
- 2) The City has not experienced significant inflation associated with design and anticipates moderate growth in this area.
- 3) Construction assumption based on Construction Analytics nonresidential inflation index and current pricing experienced by the City.

Factors Impacting Capital Program

Examples of the Impact of Cost Escalation and Supply Chain on Proposed CIP

❑ Impact of Inflation (Cost Escalation)

- ❑ Increase in raw material cost (copper wiring, steel poles, concrete).
- ❑ Multiple departments are reporting an increase of 15%-30% on cost when out to bid (beyond anticipated increases included in recent Opinions of Probable Construction Cost (OPCC)).

❑ Supply Chain Impact

- ❑ Long lead times for concrete, generators, pumps, transformers, etc., which are delaying project schedules.
 - ❑ Example: Delays to street reconstruction projects due to a lack of available materials for utility relocations.
- ❑ Projecting a 12-18 month delay on 2023 CIP equipment for Sanitation Department.
- ❑ Manufacturers producing limited numbers, such as chassis for Ambulances, which could delay delivery and/or ability to replace units within the normal time frame.
- ❑ Extreme lead times for specialized equipment. (Pre-ordered Fire Apparatus not anticipated until 2025.)

Factors Impacting Capital Program

Future Inflation Reserves (In Millions)

Inflation Reserves	2024	2025	2026	2027	2028/ Completion
Park	\$ 4.5	\$ 9.0	\$ 5.8	\$ -	\$ -
Street / Transportation	3.6	1.9	8.4	10.5	4.1
Drainage	0.6	4.2	-	-	-
Library	4.5	1.1	-	-	-
Public Safety	0.7	4.1	-	-	-
Economic Dev.	-	-	1.0	-	-
Municipal Facilities	0.7	-	-	-	-
Total	\$14.6	\$20.3	\$15.2	\$10.5	\$4.1

The 2023 Proposed CIP includes a total of **\$64,734,000** in Inflation Reserves, which will provide debt capacity to respond to unforeseen financial challenges that could disrupt project delivery.

Capital Improvement Program

Evaluation Criteria Used to Identify Projects for Elimination

- Phase of the project
 - Has the project started?
 - How far along in the process is it? (design, bidding for construction, construction underway, etc.)
- Impact of pausing a project
 - Status of contract(s) and/or commitments
 - Status of the project relative to a phase
 - Likelihood of rework
- Significant challenge/constraint delaying or impeding progress of the project
 - Significant impact studies or engineering required
 - Issues that prevent the project from proceeding even if funded

Capital Improvement Program

Project Changes included in 2023 Proposed CIP (In Millions)

Project Name	Eliminated from Debt Model	Description of Proposed Change	Project Type
Lavon Landscaping *	\$ (1.2)	Removed from CIP ; Issue with Railroad	Department Initiated
Lyons Road – I.H. 30 to Guthrie Rd. *	(16.5)	Removed from CIP ; Alignment study complete but could change with Sunnyvale; Significant ROW and utility relocation required	2019 Bond
Chaha Road – I.H. 30 to Zion	(1.3)	Removed from CIP ; Unknown impact of I.H. 30 interchange improvements underway with TxDOT; Could change project need	2004 Bond
Lakewood Addition Drainage Improvements *	(10.3)	Removed from CIP ; Design contract not started; Of the drainage projects, least number of issues; Most of the local flooding complaints are resolved or occurred 15+ years ago	2019 Bond
Garvon West Industrial Park Drainage Improvements *	(31.2)	Removed from CIP ; Reevaluate project scope following drainage study	2019 Bond
Western Heights No. 4 Drainage Improvements *	(2.8)	Removed from CIP ; Complete study in 2023; Requires further study due to downstream impacts	2019 Bond
Garland Heights / Freeman Drainage Improvements	(4.0)	Removed from CIP ; Complete study in 2023; Requires further study due to downstream impacts	2004 Bond
Audubon Park Picnic Area Paving Replacement *	(2.9)	Removed from CIP ; Complete in-house with departments' existing resources	2004 Bond
Total	\$(70.2)		

* Project was pushed out past 2028 or eliminated at May 2022 Retreat.

Tax-Supported Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Park	\$ 69,535,000	27.7%
(2)	Street/Transportation	60,495,000	24.1%
(3)	Economic Development	33,699,000	13.4%
(4)	Public Safety	31,961,000	12.7%
(5)	Facilities and Equipment	18,368,000	7.3%
(6)	Library	16,537,000	6.6%
(7)	Drainage	11,144,000	4.4%
(8)	Landfill/Transfer Station	9,628,000	3.8%
	Total Tax-Supported	\$251,367,000	100.0%

Note:

2022 Adopted CIP Tax-Supported – \$227.5 Million.

2004 and 2019 Bond Programs

Bond Program Completion Projections

<u>Bond Program</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
2004 Bond Program	88.8%	94.4%	97.9%	99.9%	100%	-
2019 Bond Program	61.9%	82.2%	91.0%	96.0%	97.7%	98.7%

Key Bond Program Milestones

- (1) The 2019 Parks and Library Programs are anticipated to be over 90% complete by the end of 2024.
- (2) The Municipal Facilities projects are anticipated to be complete in 2023.
- (3) The Public Safety projects are anticipated to be complete by the end of 2025.
- (4) Only the Economic Development and Street/Transportation Programs are anticipated to have funds remaining after 2025 from the 2004 Bond Program.
- (5) Only the Street/Transportation Program and Neighborhood Vitality Program are anticipated to have funds remaining after 2028 from the 2019 Bond Program.

American Rescue Plan Act (ARPA) Projects

<u>Project Title</u>	<u>Budget</u>
Huff Park	\$ 5,208,095
Kingsley Neighborhood Park Playground and Futsal Court	1,720,916
Wynn Joyce Community Park	5,572,089
Rick Oden Splash Pad	3,416,186
Bisby Transmission Trail <i>(Trail Development Program)</i>	2,875,539
Lake Ray Hubbard Greenbelt Trail <i>(Trail Development Program)</i>	733,130
Central Park Walking Trail <i>(Trail Development Program)</i>	2,326,636
Fire Station Bedrooms	4,257,533
UV HVAC Sanitation	500,000
Gatewood Drainage Study	250,000
Chaha Rd. - I.H. 30 to Lake Ray Hubbard Pkwy.	3,245,403
Naaman School Road - Brand to S.H. 78	17,206,000
Brand Rd - S.H. 190 to Muirfield	6,202,467
Total ARPA in CIP	\$53,513,994

Note:

The 2023 Proposed CIP includes increases to project budgets to adjust for inflation.

Tree Mitigation Fund – Projects

<u>Project Title</u>	<u>Budget</u>
Montgomery Park	\$ 50,000
Downtown Square	500,000
Tuckerville Park	100,000
Aerial Study of City's Tree Canopy and Inventory of All Public Properties <i>(Operating Budget)</i>	35,000
Total Proposed Use of Tree Mitigation Funding	\$685,000

Note:

Remaining balance in escrow as of 12/31/2022 after funding items above was \$1,115,000.

Utility and Internal Service Program Areas

	<u>Program Areas</u>	<u>Budget</u>	<u>Percent</u>
(1)	Electric Utility	\$122,395,000	38.7%
(2)	Wastewater Utility	119,934,000	37.9%
(3)	Water Utility	64,573,000	20.4%
(4)	Sanitation	7,151,000	2.2%
(5)	Information Technology	2,522,000	0.8%
	Total Utility and Internal Service	\$316,575,000	100.0%

Notes:

- (1) 2022 Adopted CIP for Utility and Internal Service – \$293.4 million.
- (2) The Wastewater Utility is proposed to increase by \$42.3 million from the 2022 Adopted CIP.

2023 CIP Review Calendar

Jan. 17 th	Tuesday, 5:30 p.m. Council Meeting	City Manager Presentation and Staff Overview of 2023 Proposed CIP
Jan. 21 st	Saturday, 8:30 a.m. Special Work Session (Dallas County Road & Bridge Office 1)	CIP Presentations Council Discussion
Jan. 24 th	Tuesday, 6:00 p.m. Special Work Session	Public Hearing Council Discussion
Jan. 31 st	Tuesday, 6:00 p.m. Special Work Session	Council Discussion <i>(If Requested)</i>
Feb. 6 th	Monday, 6:00 p.m. Regular Work Session	Council Deliberations & Direction to Budget Staff
Feb. 7 th	Tuesday, 7:00 p.m. Council Meeting	Public Hearing 2023 CIP Adoption